

Message Text

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PAGE 01 STATE 089225

70

ORIGIN L-03

INFO OCT-01 ARA-06 ISO-00 SP-02 AID-05 EB-07 NSC-05

CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

INR-07 NSAE-00 COME-00 INRE-00 NSCE-00 SSO-00 USIE-00

H-02 FRB-03 OPIC-03 /066 R

DRAFTED BY L/ARA:DAGANTZ/S/P:LEINAUDI

APPROVED BY T:CEMAW

ARA:HRYAN (SUBS)

ARA/EP: RFWEBER

TREASURY:FMARESCA (INFO)

S/S:FORTIZ

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FM SECSTATE WASHDC

TO AMEMBASSY LIMA NIACT IMMEDIATE

C O N F I D E N T I A L STATE 089225

FOR AMBASSADOR

E.O. 11652: GDS

TAGS: EIND, EINV, EMIN, PFOR, PE

SUBJECT: MARCONA

1. ON THE ASSUMPTION THAT SATISFACTORY TRANSPORTATION AND ORE SALES CONTRACTS CAN BE DRAWN UP AND SIGNED CONCURRENTLY WITH AN INTERGOVERNMENTAL AGREEMENT RECORDING THE SETTLEMENT, THE MARCONA CORPORATION HAS NOW INFORMED US THAT IT HAS AGREED TO ACCEPT IN PRINCIPLE PERU'S APRIL 5 OFFER TO SETTLE THE EXPROPRIATION DISPUTE.

2. THE USG UNDERSTANDS THIS OFFER AS FOLLOWS:

CONFIDENTIAL

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PAGE 02 STATE 089225

(A) \$33 MILLION CASH AT TIME OF SETTLEMENT;

(B) EXTENDED AND EXPANDED SHIPPING CONTRACT, PROVIDING \$12 MILLION IN COMPENSATION TO MARCONA BY MARCH 30, 1978, (INCLUDING EXISTING CONTRACT BUT EXCLUDING ORE SOLD FOB TO MARCONA);

(C) SALE TO MARCONA OF 1.1 MILLION TONS OF PELLETS AT \$18/TON FOB TO BE TAKEN WITHIN ONE YEAR FROM SETTLEMENT;

(D) OPTION FOR MARCONA TO BUY 1.0 MILLION TONS OF PELLETS A YEAR AT \$20/TON FOB, FOR TWO YEARS.

3. USG BELIEVES THIS SETTLEMENT SHOULD BE FORMALIZED BY INTERGOVERNMENTAL AGREEMENT, WHICH WOULD PROVIDE FRAMEWORK FOR IMPLEMENTATION OF TRANSPORTATION AND ORE SALES CONTRACTS (AS WITH DECEMBER 11 INTERIM AGREEMENT) AS WELL AS ASSURE THAT ALL CLAIMS OF MARCONA AGAINST THE GOP, AND THE GOP AGAINST MARCONA, ARE DEFINITELY EXTINGUISHED. WE DO NOT BELIEVE REACHING AGREEMENT ON A TEXT SHOULD PROVE DIFFICULT, AND WILL PROVIDE GOP WITH A DRAFT THIS WEEK.

4. TRANSPORTATION AND ORE SALES CONTRACTS BETWEEN MARCONA AND APPROPRIATE PERUVIAN ENTITIES WILL ALSO BE REQUIRED; WHILE USG WILL NOT BE A PARTY, USG NEGOTIATING GROUP MEMBERS WOULD EXPECT TO PARTICIPATE IN NEGOTIATIONS FOR THESE CONTRACTS (PRESUMABLY WITH MARCONA ALSO PARTICIPATING, AS IN DECEMBER). AGAIN WE WOULD EXPECT THAT THE NEGOTIATIONS WOULD BE NEITHER DIFFICULT NOR PROTRACTED, AS THE ESSENTIAL ELEMENTS HAVE ALREADY BEEN AGREED UPON. DRAFTING WILL, HOWEVER, HAVE TO BE PRECISE AND THOUGHTFUL, ESPECIALLY WITH RESPECT TO TRANSPORTATION CONTRACT IF LATTER IS IN FACT TO PRODUCE \$12 MILLION IN COMPENSATION OVER THE NEXT TWO YEARS.

5. WE BELIEVE GOP SHARES OUR DESIRE TO COMPLETE PROCESS AS SOON AS POSSIBLE, SO THAT MARCONA PROBLEM MAY BE PUT BEHIND US. THUS, US GROUP (EXCEPT MAW) PREPARED TO TRAVEL TO LIMA MONDAY EVENING TO BEGIN AGREEMENT/CONTRACT NEGOTIATIONS TUESDAY, APRIL 20. WE WOULD HOPE TO HAVE ALL CONFIDENTIAL

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PAGE 03 STATE 089225

DOCUMENTS READY FOR SIGNATURE BY FRIDAY, APRIL 23, WITH MAW ARRIVING A DAY EARLIER.

6. FINALLY, WE MUST LOOK BEYOND REMOVAL OF THIS OBSTACLE TO OUR RELATIONS AND BEGIN TO CONSIDER ACTIVELY POSSIBLE OTHER OPEN QUESTIONS OF MUTUAL INTEREST AND AREAS OF FUTURE COOPERATION.

7. ACTION REQUESTED: PLEASE COMMUNICATE TO DE LA PUENTE
CONTENTS OF PARAS 1-5 ABOVE INDICATING ORALLY THAT WE
QUOTE HAVE PREVAILED UNQUOTE UPON MARCONA TO ACCEPT
THE GOP OFFER, ESSENTIAL ELEMENTS OF WHICH (PARA 2) SHOULD
BE PRESENTED IN WRITTEN AS WELL AS ORAL FORM. KISSINGER

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